

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Mecosta Township	County Mecosta
Fiscal Year End 3-31-2008	Opinion Date 5-21-2008	Date Audit Report Submitted to State August 4, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

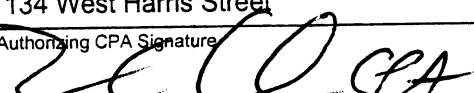
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	SAS 112 Letter and SAS 114 Letter	
Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.		Telephone Number 231-775-9789	
Street Address 134 West Harris Street		City Cadillac	State MI
Authorized CPA Signature 		Printed Name Michael D. Cool, C.P.A.	Zip 49601
		License Number 1101023146	

MECOSTA TOWNSHIP, MECOSTA COUNTY

STANWOOD, MICHIGAN

MARCH 31, 2008

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

MARCH 31, 2008

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May 21, 2008

INDEPENDENT AUDITORS' REPORT

To the Township Board
Mecosta Township
Mecosta County
Stanwood, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mecosta Township, Stanwood, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Township's Management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mecosta Township, Stanwood, Michigan, as of March 31, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages iii through ix and budgetary comparison information on page 19 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mecosta Township, Stanwood, Michigan's basic financial statements. The individual fund financial statements are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

Mecosta Township, a general law township located in Mecosta County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Mecosta Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2008, along with specific comparative information as required.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$809,069. Of this amount, \$485,191 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$533,366, an increase of \$31,323 in comparison with the prior year. \$477,211 is available for spending at the Township's discretion.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements This report includes government-wide statements as required by GASB Statement Number 34. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds – Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township does not maintain any proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township’s financial position over time. The Net Assets of the Township are \$809,069 at March 31, 2008, meaning the Township’s assets were greater than its liabilities by this amount. As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. A comparison with the previous fiscal year is presented in order to show the change in Net Assets over the previous fiscal year.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

Mecosta Township
Net Assets as of March 31,

	<u>2008</u>	<u>2007</u>
Assets		
Current Assets	\$ 542,091	\$ 512,159
Non Current Assets		
Capital Assets	403,227	402,522
Less: Accumulated Depreciation	<u>(127,524)</u>	<u>(109,143)</u>
Total Non Current Assets	<u>275,703</u>	<u>293,379</u>
Total Assets	<u><u>\$ 817,794</u></u>	<u><u>\$ 805,538</u></u>
Liabilities		
Current Liabilities	<u>\$ 8,725</u>	<u>\$ 10,116</u>
Net Assets		
Invested in Capital Assets	275,703	293,379
Restricted for Specific Purposes	48,175	77,609
Unrestricted	<u>485,191</u>	<u>424,434</u>
Total Net Assets	<u><u>809,069</u></u>	<u><u>795,422</u></u>
Total Liabilities and Net Assets	<u><u>\$ 817,794</u></u>	<u><u>\$ 805,538</u></u>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others). The Township has \$485,191 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balance in net assets, both for the government as a whole, as well as for its separate governmental activities.

The total net assets of the Township increased by \$13,647 in this fiscal year, which is an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

Mecosta Township
Change in Net Assets
for the Fiscal Year Ended March 31,

	<u>2008</u>	<u>2007</u>
<u>Revenues</u>		
Program Revenues		
Charges for Services	\$ 36,440	\$ 52,385
Operating Grants and Contributions	4,065	4,097
Capital Grants and Contributions	9,000	100,315
General Revenues		
Taxes	117,971	114,715
State Grants	150,774	154,624
Interest Earnings	25,806	14,772
Other	<u>3,186</u>	<u>2,337</u>
Total Revenues	<u>347,242</u>	<u>443,245</u>
<u>Expenses</u>		
Legislative	13,405	9,618
General Government	191,389	283,327
Public Safety	70,274	64,624
Public Works	3,492	11,615
Community and Economic Development	27,180	27,482
Recreation and Cultural	668	1,064
Other Functions	<u>27,187</u>	<u>10,627</u>
Total Expenses	<u>333,595</u>	<u>408,357</u>
Change in Net Assets	13,647	34,888
<u>NET ASSETS</u> - Beginning of Year	<u>795,422</u>	<u>760,534</u>
<u>NET ASSETS</u> - End of Year	<u>\$ 809,069</u>	<u>\$ 795,422</u>

Governmental Activities

During the fiscal year ended March 31, 2008, the Township's net assets increased by \$13,647 in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 requires the Township to maintain a record of annual depreciation expense and the accumulation of

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

A significant part of the revenue for all governmental activities of Mecosta Township comes from property taxes. The Township levied an operating millage, this fiscal year. The Township levied 1.1025 mills for operating purposes.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation.

The Township's governmental activities expenses are dominated by general government expenses. The Township spent \$191,389 in fiscal year 2008 on general government expenses. Public safety expenses represented the next largest expense at \$70,274 followed by other functions at \$27,187.

Business-Type Activities

The Township does not maintain any Business-Type Activities.

Financial Analysis of the Government's Funds

Governmental Activities The focus of Mecosta Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Mecosta Township's governmental funds reported combined ending fund balances of \$533,366. Approximately 89% of this total amount (\$477,211) constitutes unreserved fund balance. The remainder of the fund balance is reserved or designated for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for fire protection must be used for expenditures that relate to fire protection.

General Fund – The General Fund increased its fund balance by \$67,946, which brings the fund balance to \$485,764. Of the General Fund's fund balance, \$477,211 is unreserved while \$7,980 is reserved for prepaid expenditures, and \$573 is reserved for the telecommunications right of way maintenance.

Fire Fund – The Fire Fund decreased its fund balance by \$36,623, which brings the fund balance to \$47,602. This balance is reserved and must be used for fire protection and fire equipment.

Proprietary Fund The Township does not maintain any proprietary funds.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental activities as of March 31, 2008 amounted to \$275,703 net of accumulated depreciation. The total net decrease in the Township's investment in capital assets for the current fiscal year was 6.02%.

Capital assets summarized below include any items purchased with a cost greater than \$500 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

Mecosta Township
Capital Assets as of March 31,

	<u>2008</u>	<u>2007</u>
Land and Land Improvements	\$ 21,889	\$ 21,889
Buildings	178,923	178,923
Infrastructure	97,714	97,714
Improvements Other Than Buildings	4,498	4,498
Machinery and Equipment	<u>100,203</u>	<u>99,498</u>
	403,227	402,522
Less Accumulated Depreciation	<u>(127,524)</u>	<u>(109,143)</u>
Net Capital Assets	<u><u>\$ 275,703</u></u>	<u><u>\$ 293,379</u></u>

Major capital asset events during the current fiscal year included the following:

- ◆ The Township purchased a commercial vacuum in the amount of \$705.

Long-Term Debt. At March 31, 2008, the Township was not obligated for any long-term debt.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential further reductions in state-shared revenues.

These factors were considered in preparing the Township's budgets for the 2008-09 fiscal year.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Mecosta Township at P.O. Box 127, Stanwood, Michigan 49346.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

STATEMENT OF NET ASSETS
MARCH 31, 2008

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash	\$ 480,731
Receivables	
Taxes	5,684
Accounts	1,289
Due from Other Governments	35,506
External Parties (Fiduciary Funds)	10,901
Prepaid Expenses	<u>7,980</u>
 Total Current Assets	 <u>542,091</u>
 <u>CAPITAL ASSETS</u>	
Land and Land Improvements	21,889
Buildings	178,923
Infrastructure	97,714
Improvements Other Than Buildings	4,498
Machinery and Equipment	<u>100,203</u>
	403,227
Less Accumulated Depreciation	<u>(127,524)</u>
Net Capital Assets	<u>275,703</u>
 TOTAL ASSETS	 <u>817,794</u>
 <u>LIABILITIES AND NET ASSETS</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	7,850
Customer Deposits	<u>875</u>
 Total Current Liabilities	 <u>8,725</u>
 <u>NET ASSETS</u>	
Invested in Capital Assets	275,703
Restricted for Specific Purposes	48,175
Unrestricted	<u>485,191</u>
 TOTAL NET ASSETS	 <u>\$ 809,069</u>

The accompanying notes are an integral part of the financial statements.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2008

					NET (EXPENSE) REVENUES AND CHANGES IN NET ASSETS
FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			TOTALS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
<u>PRIMARY GOVERNMENT</u>					
<u>GOVERNMENTAL ACTIVITIES</u>					
Legislative	\$ 13,405	\$ 0	\$ 0	\$ 0	\$ (13,405)
General Government	191,389	11,768	0	9,000	(170,621)
Public Safety	70,274	23,408	0	0	(46,866)
Public Works	3,492	0	4,065	0	573
Community and Economic Development	27,180	1,264	0	0	(25,916)
Recreation and Cultural	668	0	0	0	(668)
Other Functions	27,187	0	0	0	(27,187)
Total Governmental Activities	<u>\$ 333,595</u>	<u>\$ 36,440</u>	<u>\$ 4,065</u>	<u>\$ 9,000</u>	<u>(284,090)</u>
<u>GENERAL REVENUES</u>					
Taxes					117,971
State Grants					150,774
Interest Earnings					25,806
Other					3,186
Total General Revenues					<u>297,737</u>
Change in Net Assets					13,647
<u>NET ASSETS</u> - Beginning of Year					<u>795,422</u>
<u>NET ASSETS</u> - End of Year					<u>\$ 809,069</u>

The accompanying notes are an integral part of the financial statements.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET
MARCH 31, 2008

	GENERAL FUND	FIRE FUND	TOTALS
<u>ASSETS</u>			
Cash	\$ 432,300	\$ 48,431	\$ 480,731
Taxes Receivable	5,684	0	5,684
Accounts Receivable	1,289	0	1,289
Due from Other Funds	11,730	0	11,730
Due from Other Governments	35,506	0	35,506
Prepaid Expenditures	7,980	0	7,980
TOTAL ASSETS	<u>\$ 494,489</u>	<u>\$ 48,431</u>	<u>\$ 542,920</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 7,850	\$ 0	\$ 7,850
Due to Other Funds	0	829	829
Customer Deposits	875	0	875
Total Liabilities	<u>8,725</u>	<u>829</u>	<u>9,554</u>
<u>FUND BALANCE</u>			
Reserved for:			
Prepaid Expenditures	7,980	0	7,980
Fire Protection	0	47,602	47,602
Telecommunications Right of Way Maintenance	573	0	573
Unreserved			
Undesignated	477,211	0	477,211
Total Fund Balance	<u>485,764</u>	<u>47,602</u>	<u>533,366</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 494,489</u>	<u>\$ 48,431</u>	<u>\$ 542,920</u>

The accompanying notes are an integral part of the financial statements.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
MARCH 31, 2008

Total Fund Balances for Governmental Funds	\$ 533,366
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land and Land Improvements	\$	21,889	
Buildings		178,923	
Infrastructure		97,714	
Improvements Other Than Buildings		4,498	
Machinery and Equipment		100,203	
Accumulated Depreciation		<u>(127,524)</u>	<u>275,703</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 809,069</u>
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The accompanying notes are an integral part of the financial statements.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2008

	GENERAL FUND	FIRE FUND	TOTALS
<u>REVENUES</u>			
Taxes	\$ 117,971	\$ 0	\$ 117,971
Licenses and Permits	24,672	0	24,672
Federal Grants	9,000	0	9,000
State Grants	154,839	0	154,839
Charges for Services	8,393	0	8,393
Interest and Rents	27,036	2,145	29,181
Other Revenues	3,186	0	3,186
Total Revenues	345,097	2,145	347,242
<u>EXPENDITURES</u>			
Legislative	13,405	0	13,405
General Government	173,713	0	173,713
Public Safety	31,506	38,768	70,274
Public Works	3,492	0	3,492
Community and Economic Development	27,180	0	27,180
Recreation and Cultural	668	0	668
Other Functions	27,187	0	27,187
Total Expenditures	277,151	38,768	315,919
Net Change in Fund Balance	67,946	(36,623)	31,323
<u>FUND BALANCE</u> - Beginning of Year	417,818	84,225	502,043
<u>FUND BALANCE</u> - End of Year	\$ 485,764	\$ 47,602	\$ 533,366

The accompanying notes are an integral part of the financial statements.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

MARCH 31, 2008

Net Change in Fund Balance - Total Governmental Funds	\$ 31,323
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(18,381)
Capital Outlay	<u>705</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 13,647</u></u>

The accompanying notes are an integral part of the financial statements.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

FIDUCIARY FUND

STATEMENT OF FIDUCIARY NET ASSETS

MARCH 31, 2008

	<u>ASSETS</u>	<u>AGENCY</u>
Cash		\$ 11,809
		<hr/>
	<u>LIABILITIES</u>	
Due to Other Governments		\$ 908
Due to Other Funds		<hr/> 10,901
TOTAL LIABILITIES		<hr/> \$ 11,809

The accompanying notes are an integral part of the financial statements.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Mecosta Township is a general law township located in Mecosta County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Mecosta Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditure for fire protection.

Additionally Mecosta Township reports the following fund types:

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

The Mecosta Township Treasurer is limited to investments authorized by Act 20 of 1943, as amended, and may invest in the following:

- (a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) Certificates of deposit, savings accounts, deposit accounts, or depository of a financial institution. Authorized depositories shall be designated by the Mecosta Township Board at the Board's first meeting of each fiscal year.
- (c) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- (d) Repurchase agreements consisting of instruments listed in (a).
- (e) Bankers; acceptances of United States banks.
- (f) Obligations of this state or any of its political subdivisions that at the time of purchase are rated investment grade by not less than 1 standard rating service.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

- (g) Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by the Township. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share.
- (h) Investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- (i) Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118.
- (j) The investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and county taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

According to the Mecosta County Equalization Department, the 2007 taxable valuation of Mecosta Township totaled \$128,083,733, on which taxes levied consisted of regular ad valorem and industrial facilities tax mills for Mecosta Township operating purposes. This levy raised approximately \$115,377 for operating purposes.

3. *Inventories and Prepaid Items*

Inventories are not significant and are expensed as acquired.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Land and Land Improvements	20
Infrastructure	20
Improvement Other Than Buildings	20
Machinery and Equipment	5-10

5. *Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

6. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted on March 29, 2007, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

B. Funds with Expenditures in Excess of Appropriations were as follows:

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
Township Board	\$ 7,000	\$ 13,405
Building and Grounds	50,500	62,197
Cemetery	9,500	10,699
Zoning	24,200	27,180
Special Revenue Funds		
Fire Fund		
Fire Department	38,250	38,768

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

These overages were funded by greater than anticipated revenues and available fund balance.

III.DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Township's deposits are all on deposit with Chemical Bank in Stanwood, Michigan.

Investment rate risk. The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

Foreign currency risk. The Township is not authorized to invest in investments, which have this type of risk.

Credit risk. The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

Concentration of credit risk. The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2008, \$338,935 of the government's bank balance of \$499,128 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

by its trust department or its agent but not in the Township's name. At year end, the Township held no investments.

B. Receivables

Receivables as of year end for the government's individual major funds are as follows:

	<u>General</u>
Receivables	
Taxes	\$ 5,684
Accounts	1,289
Due from Other Governments	<u>35,506</u>
	<u><u>\$ 42,479</u></u>

The allowance for doubtful accounts is not considered to be material for disclosure. As a result, its uncollectible accounts are virtually nill.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

No deferred revenue was recorded in any of the funds at the end of the current fiscal year.

C. Capital Assets

Primary Government

	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land and Land Improvements	\$ 21,889	\$ 0	\$ 0	\$ 21,889
Capital assets, being depreciated				
Buildings	178,923	0	0	178,923
Infrastructure	97,714	0	0	97,714
Improvements Other Than Buildings	4,498	0	0	4,498
Machinery and Equipment	<u>99,498</u>	<u>705</u>	<u>0</u>	<u>100,203</u>
Total capital assets, being depreciated	<u>380,633</u>	<u>705</u>	<u>0</u>	<u>381,338</u>

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

	Beginning Balance	Increases	Decreases	Ending Balance
Less accumulated depreciation for:				
Buildings	44,047	4,955	0	49,002
Infrastructure	12,469	4,886	0	17,355
Improvements Other Than Buildings	1,561	268	0	1,829
Machinery and Equipment	51,066	8,272	0	59,338
Total accumulated depreciation	109,143	18,381	0	127,524
Total capital assets, being depreciated, net	271,490	(17,676)	0	253,814
Governmental activities capital assets, net	\$ 293,379	\$ (17,676)	\$ 0	\$ 275,703

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ <u>18,381</u>

Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2008.

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at March 31, 2008 were:

<u>FUND</u>	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 11,730	\$ 0
Fire Fund	0	829
Fiduciary Funds		
Current Tax Collection Fund	0	10,901
	<u>\$ 11,730</u>	<u>\$ 11,730</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be resolved within one year.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

E. Long-Term Debt

At March 31, 2008, the Township was not obligated for any long-term debt.

F. Fund Balance Reserves and Designations

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances/retained earnings in various funds. In addition, certain portions of unreserved fund balances/retained earnings have been designated for intended future uses. These reserves and designations are detailed in the following schedule:

FUND BALANCE

Reserves

General Fund

Prepaid Expenditures	\$	7,980	
Telecommunications Right of Way Maintenance		<u>573</u>	\$ 8,553

Special Revenue Funds

Fire Fund

Fire Protection			<u>47,602</u>
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TOTAL FUND BALANCE RESERVES			<u><u>\$ 56,155</u></u>
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IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions insurance and workers' compensation. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

B. Mecosta-Austin Fire Department

The Mecosta-Austin Fire Department is a joint venture by and between the townships of Mecosta and Austin. This joint venture was created to provide fire protection for the listed governments.

For the year ended March 31, 2008, the Township contributed a total of \$38,556 to the Fire Authority.

The following financial information was taken from the Fire Department's March 31, 2006 audited financial statements:

Total Net Assets	\$ 567,901
Net Assets Invested in Capital Assets Net of Related Debt	541,496
Fund Balance - Unreserved	26,405
Total Revenue	225,906
Total Expenditures	229,155
Net Increase (Decrease) in Fund Balance	(3,249)

A copy of these audited financial statements may be obtained upon request from the Fire Department Treasurer.

C. Retirement Plan

The Township has a defined contribution pension plan with John Hancock which covers all elected officials and zoning administrator. Each employee becomes eligible for coverage on the first policy anniversary date which the employee reaches age 18. An employee's normal retirement date is age 65 except for those who choose early retirement.

Township contributions to the plan for 2007-2008 amounted to \$16,634 including administration fees of \$938. Total covered payroll amounted to \$93,794 and total wages including non-covered payroll was \$119,921.

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2008

	<u>GENERAL FUND</u>			<u>FIRE FUND</u>		
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>ORIGINAL</u>	<u>FINAL</u>	
	<u>BUDGET</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>						
Taxes	\$ 108,100	\$ 108,100	\$ 117,971	\$ 35,000	\$ 38,250	\$ 0
Licenses and Permits	21,900	21,900	24,672	0	0	0
Federal Grants	0	0	9,000	0	0	0
State Grants	174,000	174,000	154,839	0	0	0
Charges for Services	5,600	5,600	8,393	0	0	0
Interest and Rents	6,000	6,000	27,036	0	0	2,145
Other Revenues	0	0	3,186	0	0	0
Total Revenues	315,600	315,600	345,097	35,000	38,250	2,145
<u>EXPENDITURES</u>						
Legislative						
Township Board	7,000	7,000	13,405	0	0	0
General Government						
Supervisor	25,000	25,000	22,333	0	0	0
Assessor	31,000	31,000	23,850	0	0	0
Election	5,500	5,500	2,574	0	0	0
Clerk	27,000	27,000	25,096	0	0	0
Board of Review	1,500	1,500	1,265	0	0	0
Treasurer	28,000	28,000	25,699	0	0	0
Building and Grounds	48,000	50,500	62,197	0	0	0
Cemetery	8,500	9,500	10,699	0	0	0
Public Safety						
Fire Department	0	0	0	35,000	38,250	38,768
Building Inspection	33,000	33,000	30,594	0	0	0
Blight	5,000	5,000	912	0	0	0
Public Works						
Highways, Streets, Bridges	2,900	2,900	2,600	0	0	0
Street Lighting	1,100	1,100	892	0	0	0
Community and Economic Development						
Zoning	24,000	24,200	27,180	0	0	0
Recreation and Cultural						
Parks and Recreation	5,000	1,500	668	0	0	0
Other Functions						
Employee Benefits	17,000	17,000	16,634	0	0	0
Insurance and Bonds	11,000	11,000	10,553	0	0	0
Total Expenditures	280,500	280,700	277,151	35,000	38,250	38,768
Net Change in Fund Balance	35,100	34,900	67,946	0	0	(36,623)
<u>FUND BALANCE</u> - Beginning of Year	0	0	417,818	0	0	84,225
<u>FUND BALANCE</u> - End of Year	\$ 35,100	\$ 34,900	\$ 485,764	\$ 0	\$ 0	\$ 47,602

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

GENERAL FUND

BALANCE SHEET
MARCH 31, 2008

ASSETS

Cash	\$ 432,300
Taxes Receivable	5,684
Accounts Receivable	1,289
Due from Other Funds	11,730
Due from Other Governments	35,506
Prepaid Expenditures	<u>7,980</u>
 TOTAL ASSETS	 <u><u>\$ 494,489</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 7,850
Customer Deposits	<u>875</u>
 Total Liabilities	 <u>8,725</u>

FUND BALANCE

Reserved for Prepaid Expenditures	7,980
Reserved for Telecommunications Right of Way Maintenance	573
Unreserved, Undesignated	<u>477,211</u>
 Total Fund Balance	 <u>485,764</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 494,489</u></u>

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>		
Taxes	\$ 108,100	\$ 117,971
Licenses and Permits	21,900	24,672
Federal Grants	0	9,000
State Grants	174,000	154,839
Charges for Services	5,600	8,393
Interest and Rents	6,000	27,036
Other Revenues	0	3,186
Total Revenues	<u>315,600</u>	<u>345,097</u>
<u>EXPENDITURES</u>		
Legislative		
Township Board	7,000	13,405
General Government		
Supervisor	25,000	22,333
Assessor	31,000	23,850
Election	5,500	2,574
Clerk	27,000	25,096
Board of Review	1,500	1,265
Treasurer	28,000	25,699
Building and Grounds	50,500	62,197
Cemetery	9,500	10,699
Public Safety		
Building Inspection	33,000	30,594
Blight	5,000	912
Public Works		
Highways, Streets, Bridges	2,900	2,600
Street Lighting	1,100	892
Community and Economic Development		
Zoning	24,200	27,180
Recreation and Cultural		
Parks and Recreation	1,500	668

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>
Other Functions		
Employee Benefits	17,000	16,634
Insurance and Bonds	11,000	10,553
Total Expenditures	280,700	277,151
Net Change in Fund Balance	34,900	67,946
<u>FUND BALANCE</u> - Beginning of Year	0	417,818
<u>FUND BALANCE</u> - End of Year	\$ 34,900	\$ 485,764

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

FIRE FUND

BALANCE SHEET
MARCH 31, 2008

ASSETS

Cash	\$ 48,431
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LIABILITIES AND FUND BALANCE

LIABILITIES

Due to Other Funds	\$ 829
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FUND BALANCE

Reserved for Fire Protection	<u>47,602</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 48,431</u>
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MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>		
Taxes		
Delinquent Property Taxes and Interest	\$ 38,250	\$ 0
Interest and Rents		
Interest Income	0	2,145
	<hr/>	<hr/>
Total Revenues	38,250	2,145
	<hr/>	<hr/>
<u>EXPENDITURES</u>		
Public Safety		
Personnel Services	0	212
Aid to Other Government		
Mecosta-Austin Fire Department	38,250	38,556
	<hr/>	<hr/>
Total Expenditures	38,250	38,768
	<hr/>	<hr/>
Net Change in Fund Balance	0	(36,623)
<u>FUND BALANCE</u> - Beginning of Year	0	84,225
	<hr/>	<hr/>
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 47,602
	<hr/>	<hr/>

MECOSTA TOWNSHIP, MECOSTA COUNTY
STANWOOD, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED MARCH 31, 2008

	BALANCE			BALANCE
	4/1/2007	ADDITIONS	DEDUCTIONS	3/31/2008
<u>ASSETS</u>				
Cash	\$ 591,354	\$ 4,357,063	\$ 4,936,608	\$ 11,809
Due from Other Governments	24,522	0	24,522	0
TOTAL ASSETS	\$ 615,876	\$ 4,357,063	\$ 4,961,130	\$ 11,809
<u>LIABILITIES</u>				
Refunds Payable to Taxpayers	\$ 0	\$ 8,509	\$ 8,509	\$ 0
Due to Other Governments	595,751	4,220,146	4,814,989	908
Due to Other Funds	20,125	128,408	137,632	10,901
TOTAL LIABILITIES	\$ 615,876	\$ 4,357,063	\$ 4,961,130	\$ 11,809

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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May 21, 2008

To the Township Board
Mecosta Township
Mecosta County
Stanwood, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mecosta Township, Mecosta County, Stanwood, Michigan as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Mecosta Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

1) Lack of Segregation of Duties

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

2) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally. As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the deficiencies described above are material weaknesses.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

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May 21, 2008

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Township Board
Mecosta Township
Mecosta County
Stanwood, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mecosta Township for the year ended March 31, 2008, and have issued our report thereon dated May 21, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 31, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Mecosta Township are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007-08. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Material misstatements and other proposed adjusting journal entries are attached.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 21, 2008.

Other Audit Findings or Issues

During the course of our audit of the basic financial statements of Mecosta Township for the year ended March 31, 2008, we noted the following items which we feel deserve comment:

Budgeting

The Township should continue to monitor its compliance with PA 621 for items such as amending the budget during the year if activities are expected to exceed appropriations. For example the FEMA Grant was not budgeted properly, and the budget amendments were approved in the board minutes properly, but were recorded incorrectly on the Township records. Additionally, the budget should include estimated beginning fund balance and estimated ending fund balance.

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BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.